

**BOEHM, KURTZ & LOWRY**

ATTORNEYS AT LAW  
36 EAST SEVENTH STREET  
SUITE 2110  
CINCINNATI, OHIO 45202  
TELEPHONE (513) 421-2255  
TELECOPIER (513) 421-2764

**FILED**  
OCT 10 2006  
PUBLIC SERVICE  
COMMISSION

**Via Overnight Mail**

October 9, 2006

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Case No. 2006-00172**

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Response of The Kroger Co. and St. Elizabeth Medical Center to Duke Energy Kentucky's Requests for Information to be filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkev  
Attachment

cc: Certificate of Service  
Richard Raff, Esq.

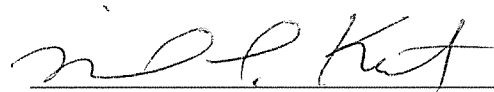
**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, via electronic mail and by first-class postage prepaid mail to all parties on the 9<sup>th</sup> day of October, 2006.

Honorable Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204  
[betsy.blackford@ag.ky.gov](mailto:betsy.blackford@ag.ky.gov)

Honorable John J. Finnigan, Jr.  
Senior Counsel  
The Union Light, Heat and Power Company  
139 East Fourth Street  
Cincinnati, OH 45202  
[jfinnigan@cinergy.com](mailto:jfinnigan@cinergy.com)

Sandra P. Meyer, President  
Duke Energy Kentucky, Inc.  
139 East Fourth Street  
Cincinnati, OH 45202  
[spmeyer@duke-energy.com](mailto:spmeyer@duke-energy.com)



---

Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Adjustment )  
of Electric Rates of The Union ) Case No. 2006-00172  
Light, Heat and Power Company )  
d/b/a Duke Energy Kentucky )

---

THE KROGER COMPANY AND  
ST. ELIZABETH MEDICAL CENTER’S RESPONSE TO  
DUKE ENERGY KENTUCKY’S  
REQUESTS FOR INFORMATION

---

1. For each proceeding in which Mr Higgins has testified during 2004-2006, please identify the entity that sponsored his testimony.

**RESPONSE**

“In the Matter of Appalachian Power Company’s Application for Increase in Electric Rates,” Virginia State Corporation Commission, Case No. PUE-2006-00065. Direct testimony submitted September 1, 2006. Sponsor: The Kroger Co.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and to Amend Decision No. 67744, **Arizona** Corporation Commission,” Docket No. E-01345A-05-0816. Direct testimony submitted August 18, 2006 (Revenue Requirements) and September 1, 2006 (Cost-of-Service/Rate Design). Surrebuttal testimony submitted September 27, 2006. Sponsor: Arizonans for Electric Choice and Competition

“Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No 1454 – Electric,” **Colorado** Public Utilities Commission, Docket No. 06S-234EG. Answer testimony submitted August 18, 2006. Sponsor: The Kroger Co.

“Portland General Electric General Rate Case Filing,” Public Utility Commission of **Oregon**, Docket No. UE-180. Direct testimony submitted August 9, 2006. Sponsor: Fred Meyer Stores

“2006 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-060266 and UG-060267. Response testimony submitted July 19, 2006. Sponsor: The Kroger Co.

“In the Matter of PacifiCorp, dba Pacific Power & Light Company, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE-179. Direct testimony submitted July 12, 2006. Sponsor: Fred Meyer Stores

“Petition of Metropolitan Edison Company for Approval of a Rate Transition Plan,” **Pennsylvania** Public Utilities Commission, Docket Nos. P-00062213 and R-00061366; “Petition of Pennsylvania Electric Company for Approval of a Rate Transition Plan,” Docket Nos. P-0062214 and R-00061367; Merger Savings Remand Proceeding, Docket Nos. A-110300F0095 and A-110400F0040. Direct testimony submitted July 10, 2006. Rebuttal testimony submitted August 8, 2006. Surrebuttal testimony submitted August 18, 2006. Cross examined August 30, 2006. Sponsor: The Commercial Group

“In the Matter of the Application of PacifiCorp for approval of its Proposed Electric Rate Schedules & Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 06-035-21. Direct testimony submitted June 9, 2006 (Test Period). Surrebuttal testimony submitted July 14, 2006. Sponsor: Utah Association of Energy Users

“Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders,” **Utah** Public Service Commission, Docket No. 05-057-T01. Direct testimony submitted May 15, 2006. Sponsor: Utah Association of Energy Users

“Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Power Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed General Increase in Rates for Delivery Service (Tariffs Filed December 27, 2005),” **Illinois** Commerce Commission, Docket Nos. 06-0070, 06-0071, 06-0072. Direct testimony submitted March 26, 2006. Rebuttal testimony submitted June 27, 2006. Sponsor: The Kroger Co.

“In the Matter of Appalachian Power Company and Wheeling Power Company, both dba American Electric Power,” Public Service Commission of **West Virginia**, Case No. 05-1278-E-PC-PW-42T. Direct testimony submitted March 8, 2006. Sponsor: The Kroger Co.

“In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,” **Minnesota** Public Utilities Commission, Docket No. G-002/GR-05-1428. Direct testimony submitted March 2, 2006. Rebuttal testimony submitted March 30, 2006. Cross examined April 25, 2006. Sponsor: The Commercial Group.

“In the Matter of the Application of Arizona Public Service Company for an Emergency Interim Rate Increase and for an Interim Amendment to Decision No. 67744,” **Arizona** Corporation Commission, Docket No. E-01345A-06-0009. Direct testimony submitted February 28, 2006. Cross examined March 23, 2006. Sponsor: Arizonans for Electric Choice and Competition

“In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service,” State Corporation Commission of **Kansas**, Case No. 05-WSEE-981-RTS. Direct testimony submitted September 9, 2005. Cross examined October 28, 2005. Sponsor: The Kroger Co.

“In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Combined Cycle Electric Generating Facility,” Public Utilities Commission of **Ohio**,” Case No. 05-376-EL-UNC. Direct testimony submitted July 15, 2005. Cross examined August 12, 2005. Sponsor: Ohio Energy Group

“In the Matter of the Filing of General Rate Case Information by Tucson Electric Power Company Pursuant to Decision No. 62103,” **Arizona** Corporation Commission, Docket No. E-01933A-04-0408. Direct testimony submitted June 24, 2005. Sponsor: Arizonans for Electric Choice and Competition

“In the Matter of Application of The Detroit Edison Company to Unbundle and Realign Its Rate Schedules for Jurisdictional Retail Sales of Electricity,” **Michigan** Public Service Commission, Case No. U-14399. Direct testimony submitted June 9, 2005. Rebuttal testimony submitted July 1, 2005. Sponsor: The Kroger Co.

“In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution of Electricity and Other Relief,” **Michigan** Public Service Commission, Case No. U-14347. Direct testimony submitted June 3, 2005. Rebuttal testimony submitted June 17, 2005. Sponsor: The Kroger Co.

“In the Matter of Pacific Power & Light, Request for a General Rate Increase in the Company’s Oregon Annual Revenues,” Public Utility Commission of **Oregon**, Docket No. UE 170. Direct testimony submitted May 9, 2005. Surrebuttal testimony submitted June 27, 2005. Joint testimony regarding partial stipulations submitted June 2005, July 2005, and August 2005. Sponsor: Fred Meyer Stores.

“In the Matter of the Application of Trico Electric Cooperative, Inc. for a Rate Increase,” **Arizona** Corporation Commission, Docket No. E-01461A-04-0607. Direct testimony submitted April 13, 2005. Surrebuttal testimony submitted May 16, 2005. Cross examined May 26, 2005. Sponsor: Phelps Dodge Sierrita, Inc.

“In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,” **Utah** Public Service Commission, Docket No. 04-035-42. Direct testimony submitted January 7, 2005. Sponsor: Utah Association of Energy Users

“In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates,” Regulatory Commission of **Alaska**, Docket No. U-4-33. Direct testimony submitted November 5, 2004. Cross examined February 8, 2005. Sponsor: Fairbanks Gold Mining, Inc.

“Advice Letter No. 1411 - Public Service Company of Colorado Electric Phase II General Rate Case,” **Colorado** Public Utilities Commission, Docket No. 04S-164E. Direct testimony submitted October 12, 2004. Cross-answer testimony submitted December 13, 2004. Testimony withdrawn January 18, 2005, following Applicant’s withdrawal of testimony pertaining to TOU rates. Sponsor: The Kroger Co.

“In the Matter of Georgia Power Company’s 2004 Rate Case,” **Georgia** Public Service Commission, Docket No. 18300-U. Direct testimony submitted October 8, 2004. Cross examined October 27, 2004. Sponsor: The Kroger Co.

“2004 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-040641 and UG-040640. Response testimony submitted September 23, 2004. Cross-answer testimony submitted November 3, 2004. Joint testimony regarding stipulation submitted December 6, 2004. Sponsor: The Kroger Co.

“In the Matter of the Application of PacifiCorp for an Investigation of Interjurisdictional Issues,” **Utah** Public Service Commission, Docket No. 02-035-04. Direct testimony submitted July 15, 2004. Cross examined July 19, 2004. Sponsor: Utah Association of Energy Users

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Kentucky Utilities Company,” **Kentucky** Public Service Commission, Case No. 2003-00434. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004. Sponsor: The Kroger Co.

“In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company,” **Kentucky** Public Service Commission, Case No. 2003-00433. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004. Sponsor: The Kroger Co.

“In the Matter of the Application of Idaho Power Company for Authority to Increase Its Interim and Base Rates and Charges for Electric Service,” **Idaho** Public Utilities Commission, Case No. IPC-E-03-13. Direct testimony submitted February 20, 2004. Rebuttal testimony submitted March 19, 2004. Cross examined April 1, 2004. Sponsor: The Kroger Co.

“In the Matter of the Applications of the Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges, Including Regulatory Transition Charges Following the Market Development Period,” Public Utilities Commission of **Ohio**, Case No. 03-2144-EL-ATA. Direct testimony submitted February 6, 2004. Cross examined February 18, 2004. Sponsors: City of Cleveland and WPS Energy Services, Inc.

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, To Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and For Approval of Purchased Power Contract,” **Arizona** Corporation Commission, Docket No. E-01345A-03-0437. Direct testimony submitted February 3, 2004. Rebuttal testimony submitted March 30, 2004. Direct testimony regarding stipulation submitted September 27, 2004. Responsive / Clarifying testimony regarding stipulation submitted October 25, 2004. Cross examined November 8-10, 2004 and November 29-December 3, 2004. Sponsor: Arizonans for Electric Choice and Competition

“In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.,” **Michigan** Public Service Commission, Case No. U-13808. Direct testimony submitted December 12, 2003 (interim request) and March 5, 2004 (general rate case). Sponsor: The Kroger Co.

2. On page 9, lines 3 - 6 and lines 18 - 21 of Mr. Higgins' testimony, Mr. Higgins asserts that higher load factor customers subsidize lower load factor customers. Please provide any studies or analyses relative to Duke Energy Kentucky's filing that support Mr. Higgins' claim that higher load factor customers within a class, specifically Rate DT, subsidize lower load factor customers.

**RESPONSE**

DEK's calculation of the DT On-Peak Demand Charge at full demand-related cost is \$14.56/kW. However, in its direct filing, DEK proposes a summer on-peak demand charge of \$11.56/kW and a winter on-peak demand charge of \$10.15/kW. Consequently, the remaining demand-related costs must be collected in the customer or energy charges. When the energy charge is increased above energy-related costs in order to recover demand-related costs, customers whose usage of energy is high relative to their demand (i.e., high-load-factor customers) are forced to recover part of the demand-related costs caused by other customers. For any customer, the net payment above the amount the customer would have otherwise paid if rate components had been set at their respective costs-of-service constitutes an intra-class subsidy.

The gross intra-class subsidy paid within Rate DT can be determined by comparing DT on-peak demand revenues at full demand cost (see KCH-3) to DEK's proposed DT on-peak demand revenues (See DEK Sch. M Proposed).

	<u>Full Cost</u>	<u>DEK</u>	<u>Subsidy paid from Energy Charge</u>
DT-Summer	\$12,232,147	\$9,711,787	\$2,520,360
DT-Winter	<u>\$15,679,730</u>	<u>\$22,492,303</u>	<u>\$6,812,573</u>
Total	\$25,391,517	\$34,724,450	\$9,332,933

The extent of the subsidy paid or received by individual customers is determined by their energy usage characteristics. Attachment Kroger-St. Elizabeth DEK-2 shows the annual subsidy paid or received by Rate DT customers of varying load characteristics under DEK's proposed Rate DT. The subsidy is calculated as the net payment above the amount the customer would otherwise pay if rate components were set at their respective costs-of-service as shown in Exhibit KCH-3. Positive values indicate the annual subsidy payment. Negative values indicate an annual subsidy receipt.



3. Please provide in electronic format Attachment KCH-3, Page 1 of 1.

**RESPONSE**

See the file "Response to DEK 3" on the enclosed CD.

## Attachment Kroger - St. Elizabeth DEK 2

Rate DT (Original Proposed) vs. Rate DT (KCH-3)		kW							
		500	1,000	1,500	2,000	2,500	3,000	3,500	4,000
	40%	-5.87%	-5.88%	-5.88%	-5.88%	-5.88%	-5.88%	-5.88%	-5.88%
	50%	-3.19%	-3.19%	-3.19%	-3.19%	-3.19%	-3.19%	-3.19%	-3.19%
	60%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%
	70%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
	80%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%	2.64%
	90%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%

Rate DT (Original Proposed) vs. Rate DT (KCH-3)		kW							
		500	1,000	1,500	2,000	2,500	3,000	3,500	4,000
	40%	(\$9,016)	(\$18,031)	(\$27,047)	(\$36,062)	(\$45,078)	(\$54,094)	(\$63,109)	(\$72,125)
	50%	(\$5,360)	(\$10,719)	(\$16,079)	(\$21,438)	(\$26,798)	(\$32,157)	(\$37,517)	(\$42,876)
	60%	(\$1,703)	(\$3,407)	(\$5,110)	(\$6,814)	(\$8,517)	(\$10,221)	(\$11,924)	(\$13,627)
	70%	\$1,953	\$3,905	\$5,858	\$7,811	\$9,763	\$11,716	\$13,669	\$15,621
	80%	\$5,609	\$11,218	\$16,826	\$22,435	\$28,044	\$33,653	\$39,261	\$44,870
	90%	\$9,265	\$18,530	\$27,795	\$37,059	\$46,324	\$55,589	\$64,854	\$74,119

**SCHEDULE DT ANNUALIZED TEST YEAR REVENUES AT KROGER/ST. ELIZABETH PROPOSED DEMAND AND TIME OF DAY ENERGY RATES**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**  
**(ELECTRIC SERVICE)**  
**CASE NO. 2006-00172**

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS FUEL COST REVENUE (F)	% OF REV TO TOTAL LESS FUEL COST REVENUE (G)	FUEL COST REVENUE (2) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(KW/KWH)	(\$/KWH)/ (\$/KW)	(\$)	(%)	(\$)	(\$)
1	DT-SEC	TIME OF DAY SECONDARY							
2		SUMMER:							
3		CUSTOMER CHARGE:							
4		SINGLE PHASE	0		\$7.50	0	0.0		0
5		THREE PHASE	753		\$15.00	11,295	0.0		11,295
6		PRIMARY VOLTAGE	142		\$100.00	14,200	0.1		14,200
7		TOTAL CUSTOMER CHARGE	895			25,495	0.1		25,495
8		DEMAND CHARGE:							
9		ON PEAK KW		840,120	\$14.56	12,232,147	46.8		12,232,147
10		OFF PEAK KW		27,477	\$1.19	32,698	0.1		32,698
11		SUB-TOTAL		867,597		12,264,845	46.9		12,264,845
12		PRIMARY SERV. DIS.							
13		FIRST 1000 KW		102,660	(\$0.65)	(66,729)	-0.3		(66,729)
14		ADDITIONAL KW		146,569	(\$0.50)	(73,285)	-0.3		(73,285)
15		TOTAL DEMAND		249,229		12,124,831	46.3		12,124,831
16		ENERGY CHARGE (3):							
17a		On-Peak kWh		123,986,780	\$0.039864	4,942,609	18.9	0	4,942,609
17b		Off-Peak kWh		283,791,362	\$0.031864	9,042,728	34.6	0	9,042,728
17		ALL KWH		407,778,142	\$0.034296	13,985,337	53.5	0	13,985,337
18		TOTAL SUMMER	895	407,778,142		26,135,663	100.0	0	26,135,663
19		WINTER:							
20		CUSTOMER CHARGE:							
21		SINGLE PHASE	0		\$7.50	0	0.0		0
22		THREE PHASE	1,505		\$15.00	22,575	0.0		22,575
23		PRIMARY VOLTAGE	285		\$100.00	28,500	0.1		28,500
24		TOTAL CUSTOMER CHARGE	1,790			51,075	0.1		51,075
25		DEMAND CHARGE:							
26		ON PEAK KW		1,544,801	\$14.56	22,492,303	47.3		22,492,303
27		OFF PEAK KW		60,807	\$1.19	72,360	0.2		72,360
28		SUB-TOTAL		1,605,608		22,564,663	47.5		22,564,663
29		PRIMARY SERV. DIS.							
30		FIRST 1000 KW		196,653	(\$0.65)	(127,824)	-0.3		(127,824)
31		ADDITIONAL KW		239,208	(\$0.50)	(119,604)	-0.3		(119,604)
32		TOTAL DEMAND		435,861		22,317,235	47.0		22,317,235
33		ENERGY CHARGE (3):							
33a		On-Peak kWh		220,429,621	\$0.037864	8,346,347	17.5	0	8,346,347
33b		Off-Peak kWh		529,287,237	\$0.031864	16,865,209	35.4	0	16,865,209
34		ALL KWH		749,716,858	\$0.033628	25,211,556	53.0	0	25,211,556
35		TOTAL WINTER	1,790	749,716,858		47,579,866	100.0	0	47,579,866
36		TOTAL RATE DT SECONDARY	2,685	1,157,495,000		73,715,529	100.0	0	73,715,529
37		KROGER/ST. ELIZABETH BASELINE ENERGY RATE (\$/kWh) =			\$0.033864				

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
(2) REFLECTS FUEL COMPONENT OF (\$0.002525) PER KWH.  
(3) REFLECTS FUEL COST RECOVERY INCLUDED IN BASE RATES OF \$0.021619 PER KWH.